

MINUTES OF MEETING NO. #364
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
APRIL 7, 2011 AT 9:00 A.M. E.T.
BOARD ROOM, PERIMETER PARK WEST
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Annual Meeting of the Board of Trustees held on April 7, 2011, the following members were present: Jennifer Elliott, Thomas Elliott, Bobby Henson, Vince Lang, Timothy Longmeyer, Randy Overstreet, Susan Smith, Christopher Tobe, and Robert Wilcher. In addition, Staff members present were: Robert Burnside, William Thielen, Charlene Haydon, TJ Carlson, Schuyler Olt, Ann Case, Chris Clark, Todd Coleman, Scarlett Consalvi, Connie Davis, Lela Hatter, Suzanne Howe, Jennifer Jones, Shauna Miller, Marlene Robinson, Katherine Rupinen, Rick Schultz, Shawn Sparks, Becky Stephens, Liza Welch, and Leigh Taylor, Recording Secretary. Also present were: Jim Carroll, Eva Smith Carroll, Dan Egbers, Shirley Clark, Ed Davis, Marvin Young, Jana Smith, Kelly Dudley, Frank Willey, Charles Klunder, Alan McDonald, and Cynthia Chaford.

Mr. Overstreet introduced and welcomed Mr. Thomas Elliott to the Board of Trustees.

Mr. Overstreet presented the memorandum *SPRS Election*. Ms. Davis reviewed the results and advised SPRS had elected Mr. Overstreet to serve a four year term beginning April 1, 2011. It was moved by Mr. Henson and seconded by Ms. Smith to accept the External Auditor's certification letter for the winner of the SPRS Board election and declare the election final; the motion carried with Mr. Tobe and Mr. Wilcher abstaining from the vote.

Mr. Overstreet presented the memorandum *Oath of Office*. Leigh Taylor, Notary Public, administered the Oath of Office to Mr. Overstreet and Mr. Elliott.

Mr. Overstreet presented the memorandum *Election of Officers KRS Board of Trustees*. Mr. Overstreet turned the proceedings over to Mr. Burnside for nominations for Chair of the KRS Board of Trustees; Mr. Burnside announced the floor was open for the nomination process. Mr. Henson nominated Mr. Overstreet; Mr. Wilcher nominated Ms. Elliott; per Roberts Rules no second was required. A vote was called and Ms. Elliott was elected Chair of the KRS Board of Trustees by a 4-3 vote for the ensuing Board year or until a successor is elected.

Mr. Burnside opened the floor for nominations for Vice Chair, Mr. Longmeyer nominated Mr. Elliott and Mr. Overstreet nominated Mr. Lang. A vote was called and Mr. Elliott was elected Vice Chair of KRS Board of Trustees by a majority vote for the ensuing Board year or until a successor is elected. Mr. Burnside turned the proceedings over to Ms. Elliott for the remainder of the meeting.

Ms. Elliott presented the memorandum *Approval of Meeting Minutes #361, #362, #363*. Mr. Wilcher moved and was seconded by Mr. Tobe to approve the Minutes of Meeting #361; the motion carried by the Board. Mr. Wilcher moved and was seconded by Ms. Smith to approve the Minutes of Meetings #362 and #363; the motion was carried by the Board.

Ms. Elliott presented the memorandum *Statement of Bylaws*. Mr. Burnside noted the Legislative and Budget Committee had decided to delay any revisions until the APA and SEC audits were completed. Mr. Longmeyer moved and was seconded by Mr. Wilcher to add a codicil to the KRS Bylaws making all salaries and bonuses of Staff and Trustees open for public record and easily accessible; the motion was carried by the Board.

Ms. Elliott presented the memorandum *Employee Service Recognition Awards*. Ms. Robinson noted KRS employees are recognized at the annual meeting for service.

The following received their five year service award:

Bill Thielen
Scarlett Consalvi

Administration
Communications

Mark McChesney
Chris Clark
Brian Thomas
Myra Jennings
Rosemary Bebe
Audrey Wilder
Connie Pettyjohn
Richard Schultz

Information Security
Information Technology/START
Legal
Member Services
Procurement & Office Services
Retiree Health Care
Retiree Health Care
Retiree Health Care

The following received their ten year service award:

Brenda Mathis
Brooke Pulliam
Peggy Hatter
Lisa Whitaker
Nadine White
Wes Farley
Beverly Fouts
Glenna Frasher
Jimmy Stout
Karen Mangum
Karen Pierson
Brian Carter
Michael Lewis
Kathy Collins
Shawn Sparks
Joann Caskey
Amy Fogle
Jennifer Tedesco
Anna Miller
David Nix
Marydyth Costigan

Accounting
Disabilities
Disabilities
Employer Compliance & Education
Employer Compliance & Education
Employer Compliance & Education
Human Resources
Information Technology
Information Technology
Information Technology
Information Technology
Investments
Member Services
Membership Support
Planning & Constituent Services
Procurement & Office Services
Retiree Health Care
Retiree Health Care
Retiree Services
Retiree Services
Retiree Services

The following received their fifteen year service award:

Aimee Rives
John Scahill
Rich Mardis
Michael Bickers
Coleman Shouse
Jennifer Steele
Stephanie Aldridge

Employer Compliance & Education
Employer Compliance & Education
Employer Compliance & Education
Member Services
Member Services
Legal
Retiree Services

The following received their twenty year service award:

Kathy Whitehouse
David Snyder
Aleisha Milich

Accounting
Information Technology
Member Services

Ms. Elliott presented the memorandum *Kentucky Retirement Systems Progress Report for Calendar Year 2010*. KRS consists of fourteen divisions organized under three Chief Officers. The Chief Officers were present at the meeting to review the past year's performance and provide strategic plans for the future for the divisions in their respective areas.

Charlene Haydon, Chief Benefits Officer

Division of Disabilities, Liza Welch, Director

Division of Member Services, Shauna Miller, Interim Director

Division of Membership Support, Suzanne Howe, Director

Division of Retiree Services, Lela Hatter, Director

TJ Carlson, Chief Investments Officer

Division of Alternative Assets, Brent Aldridge, Director

Division of Equity Assets, Bo Cracraft, Director

Division of Fixed Income Assets, David Peden, Director

Bill Thielen, Chief Operations Officer

Division of Accounting, Todd Coleman, Controller

Division of Communications, Scarlett Consalvi, Director

Division of Planning & Constituent Services, Shawn Sparks, Director

Division of Employer Compliance & Education, Sarah Webb, Director

Division of Information Technology, Chris Clark, Director

Division of Office Procurement and Office Services, Joe Morris, Director

Security Office, Mark McChesney, Information Security Officer

Also presenting was Connie Davis, Director of Internal Audits and Schuyler Olt, General Counsel.

Ms. Elliott presented the memorandum *Legislative Update*. Mr. Burnside advised the Board that HB 229 clarified calculations for non-hazardous participants and allowed CERS employers to be exempted from health insurance as a requirement for employment; HB 358 allows the \$5,000.00 death benefit to be assigned by the designated beneficiary to a bank or licensed funeral home. The recent Special Session will not have impact on KRS with regards to Medicaid.

This memorandum was presented for informational purposes only.

Ms. Elliott called for a ten minute recess. Ms. Stephens, Ms. Welch, Ms. Miller, and Ms. Hatter departed the meeting.

Ms. Elliott called the meeting back into session at 10:55 a.m.

Ms. Elliott presented the memorandum *Transparency/HB 480 Discussion*. Mr. Burnside noted the Board voted earlier in the meeting to amend KRS bylaws to include Staff salary and bonuses, and explained the memo containing Staff salary did not reflect the impact of furloughs. Mr. Burnside stated he was of the opinion the Attorney General's ruling regarding this matter should not be appealed. Mr. Burnside, Mr. Olt, and Trustees discussed KRS's procedure for handling Open Record Requests. At the end of this conversation, Mr. Longmeyer moved and was seconded by Ms. Smith that KRS would not appeal the Attorney General's ruling requiring Staff salaries and bonuses to be disclosed; the motion was carried by the Board.

Mr. Lang entered the meeting during this discussion.

Ms. Elliott tabled discussion on the memorandum *Committee Appointments* and presented the memorandum *Statements of Investment Policy*. Mr. Carlson advised that there are no modifications at this time and Staff is working on updates to be presented in May to both the Investment Committee and full Board.

This memorandum was presented for informational purposes only.

Ms. Elliott presented the memorandum *Conflict of Interest Statement*. After conversation concerning the language of the Conflict of Interest Statement, Mr. Wilcher moved and was seconded by Ms. Smith to strike the fifth full paragraph and modify language in the seventh paragraph. Pursuant to the KRS Conflict of Interest and Confidentiality Policy, the modified Conflict of Interest Statement was distributed to the Trustees for signature.

Ms. Elliott presented the memorandum *Board Retreat*. Mr. Burnside suggested a Board Retreat may be necessary as a large part of Trustee training takes place during this time. Mr. Wilcher suggested the item be placed on the agenda for the May 2011 meeting.

This memorandum was presented for informational purposes only.

Ms. Elliott presented the memorandum *Fiduciary Issues Report*. Mr. Olt reviewed the memorandum and attached documents.

This memorandum was presented for informational purposes only.

Mr. Carroll and Ms. Smith Carroll exited the meeting.

Ms. Elliott presented the memorandum *Contracts*. Mr. Thielen recommended the contract with Cavanaugh Macdonald for actuarial services be renewed for a one year period; Mr. Tobe made the motion to renew Cavanaugh Macdonald's contract and was seconded by Mr. Lang; the motion was carried by the Board.

Mr. Thielen noted the fiduciary liability contract with Chubb was the only one obtainable through the Department of Insurance and proposed the Board could either renew the existing contract or investigate ways to obtain different coverage. Mr. Tobe moved and was seconded by Mr. Elliott to renew the contract with Chubb at the current levels for one year; the motion was carried by the Board.

Mr. Thielen reported on the print services contract bids. Mr. Wilcher moved and was seconded by Mr. Elliott to adopt the Gateway proposal; the motion was carried by the Board.

Ms. Elliott presented the memorandum *Retiree Health Plan Committee Report*. Mr. Henson updated the Board on the March 7, 2011 Retiree Health Plan Committee meeting. Mr. Schultz reviewed the recommendations of the Committee: the Board to ratify the action of the Committee regarding the

proposed formulary changes for plan year 2012 and the Board to ratify the action of the Committee regarding the proposed enrollment policy for late enrollments. Mr. Henson moved and was seconded by Ms. Smith to approve the aforementioned recommendations; the motion was carried by the Board.

It was moved by Mr. Longmeyer, seconded by Mr. Henson, and carried by the Board to enter into "Closed Session" for the purpose of discussing litigation pursuant to litigation, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege and the appointment/discipline/dismissal and member account information of an employee, pursuant to KRS 61.810(1)(f) and KRS 61.810(1)(k). It is necessary to enter closed session because of the sensitive nature of the material to be considered regarding this employee, and the requirement of KRS 61.661(1) that each member's account be administered in a confidential manner.

All attendees departed except Mr. Burnside, Mr. Olt, Ms. Jones, Ms. Rupinen, Mr. Thielen, Ms. Haydon, Mr. Carlson, and the Board of Trustees.

While continuing in closed session, Mr. Olt, Ms. Jones, Ms. Rupinen, Mr. Thielen, Ms. Haydon and Mr. Carlson exited the meeting.

Ms. Elliott declared the meeting back in "Open Session" after discussion of litigation in "Closed Session" under provisions of KRS 61.810(1)(c), KRS 61.810(1)(f) and KRS 61.810(1)(k).

Mr. Longmeyer moved and was seconded by Mr. Tobe to terminate employment of Mr. Burnside, effective immediately. Mr. Lang requested reasoning behind the motion to be stated for the record; Mr. Longmeyer responded the direction of the Board required change which was not being provided by Mr. Burnside. Mr. Lang replied that with the changes in Board officers Mr. Burnside should be provided an evaluation period to work with the new officers. Ms. Smith requested a roll call vote: those in favor of the motion were Ms. Elliott, Mr. Elliott, Mr. Longmeyer, Mr. Tobe, and Mr. Wilcher; those opposed to the motion were Mr. Henson, Mr. Lang, Mr. Overstreet, and Ms. Smith. Therefore, the motion carried by

a 5 to 4 vote. Mr. Longmeyer moved and was seconded by Mr. Tobe to appoint Mr. Thielen as Interim Executive Director; the motion carried with Mr. Overstreet opposing. Ms. Elliott thanked Mr. Burnside for his integrity and service to KRS.

Mr. Burnside exited the meeting.

Ms. Elliot presented the memorandum *Committee Appointments*; Mr. Wilcher moved and was seconded by Mr. Elliot to table discussion on Committee Appointments until further discussion among Trustees; the motion was carried by the Board.

There being no further business, the meeting was adjourned at 2:30 p.m. to meet on May 19, 2011 at 9:00 a.m. or upon the call of the Chair, Executive Director, or at the request of five members of the Board.

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CERTIFICATION

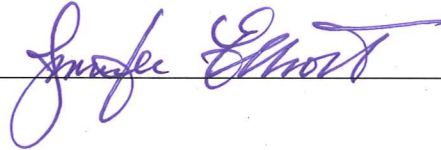
I, S. Leigh Taylor, do certify that I was present at this meeting and that I have recorded above the action of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805 through 61.850 were met in connection with this meeting. Finally, I certify that the Minutes and supporting materials have been forwarded to each member of the Board and have been included in the permanent records of the Board.



S. Leigh Taylor
Recording Secretary

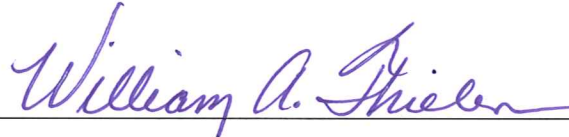
We, the Chair and the Executive Director of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting No. 364 were approved by the Board on May 19, 2011.

Signed:



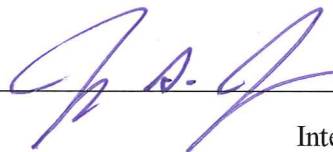
Chair

Signed:



Executive Director

I, Jennifer A. Jones, have reviewed the Minutes of Meeting No. 364 for form, content and legality.



Interim General Counsel